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SUBJECT: SCENESETTER FOR CODEL SPEIER

SENSITIVE BUT UNCLASSIFIED

¶1. (SBU) Welcome to the Philippines. Following on major U.S. disaster relief assistance in the wake of storms that have affected millions of lives, your visit holds special significance for the Embassy as well as for the Filipino people and government. Many Filipinos will study the content of your public remarks for indications of support for the bilateral relationship. The United States and the Philippines have a longstanding and deep relationship based on nearly 50 years of direct American administration, a Philippine government modeled on the U.S. government, broad economic ties, and an extensive interchange of people. The more than four million Filipino-Americans now constitute the largest Asian ethnicity in the United States, while some 250,000 U.S. citizens reside in the Philippines.

¶2. (SBU) You are coming at an interesting and challenging time. The destruction caused by a recent series of storms has affected millions of Filipinos, leaving hundreds dead, and hundreds of thousands of homes damaged or destroyed. Your visit presents an opportunity to build on the goodwill and gratitude stemming from the USG's generous, fast, and energetic response to these disasters, and highlight the very positive U.S. relationship with the Philippines. Your emphasis on the strong bonds between Filipino Americans and the Philippines will be especially timely and welcomed by the government, private sector, and international development partners, who are working together to recover from the recent disasters, alleviate poverty, and contribute to economic development.

#### Activities in a Nutshell

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¶3. (U) During your visit, you will be briefed by the Mission Country Team and meet with officials leading government and private sector relief and recovery efforts. You will then visit sites where USG disaster relief has helped people survive the aftermath of the storms and flooding and begin the recovery process. You will also view the Manila American Cemetery and Memorial, which commemorates more than 50,000 U.S. soldiers, sailors and marines killed or missing during World War II.

#### Climate Change a Growing Concern

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¶4. (SBU) President Arroyo has announced the creation of a multi-sector National Reconstruction Commission, which she tasked with coordinating international disaster rehabilitation efforts. Arroyo has requested donor grants, rather than loans, to avoid adding to the fiscal deficit and noted that "the Philippines is a victim of climate change, not a culprit." She explained that "Victims are compensated, not penalized with high interest rates or conditionalities." President Arroyo also signed the "Climate Change Act of 2009" into law on October 23. The law's objective is to factor climate change into policy formulation and poverty reduction programs.

#### The Economy in Brief

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¶5. (U) The United States is the Philippines' largest trading partner, with over \$18 billion in two-way merchandise trade in 2008. Major U.S. exports include electronics and agricultural products. The U.S. is also one of the largest investors here, with over \$6.6 billion in equity. The Philippine economy grew by 7.3% in 2007, the fastest pace of growth in over three decades, but slowed to 4.3% in 2008, and will likely be in the 1-2% range for 2009. However, a resilient service sector (particularly a booming business process outsourcing industry) and strong overseas workers remittances (expected to increase to more than \$17 billion in 2009, more than 10% of Philippine GNP) have helped the Philippines through this period of global economic slowdown.

¶6. (U) There has been limited progress over the past decade in reducing poverty and addressing the inequitable distribution of incomes. Almost half of the population here lives on \$2/day or less. Socio-economic development in the Philippines is uneven with wide disparities across regions and populations. Poverty is especially severe in rural areas. Most of the lagging regions and provinces are in Mindanao, at the southern end of the country, while Manila and neighboring areas represent the country's most developed region. While Mindanao features some of the country's more progressive cities and municipalities, human development indices of some of Mindanao's most depressed provinces approximate those of the world's poorest countries.

#### The Political Situation

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¶7. (SBU) President Gloria Macapagal Arroyo assumed the Presidency in 2001 after a "people power" protest movement swept out her predecessor. An economist by trade, she is a tenacious leader who has faced a series of challenges to her rule, including unsuccessful impeachment efforts and low-level military coup attempts.

¶8. (SBU) Presidential elections set for May 2010 are already reshaping the political landscape as candidates begin aggressively campaigning. Notable candidates include the current Filipino Secretary of Defense, Gilbert Teodoro, longtime Senator Manny Villar, and Senator Benigno "Noy" Aquino III, who decided to run for President following the death in July of his mother, former President Cory Aquino, one of the most cherished figures in Philippine politics. Another contender could be former President Joseph Estrada, who was ousted by popular discontent in 2001. In 2007, Estrada was convicted of corruption and then pardoned by President Arroyo. It is unclear if his presidential candidacy is legal. These will be the first nationwide elections featuring computerized vote tabulation; the automation holds the promise of more accurate and rapid vote-counting, but many in the Philippines are anxious about the shift to a new and unfamiliar system.

#### Human Rights

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¶9. (SBU) President Arroyo has consistently expressed her commitment to resolving the complex problem of extra-judicial killings and has taken several steps in this direction. While many of these deaths and disappearances are more likely attributable to local disputes than to military or police action, it is clear that the government needs to do more to ensure that these crimes are fully investigated and that responsible parties -- whether or not they are connected to the military or police -- are brought to justice. The problem is closely related to a judicial system which is inefficient and strained beyond its capacity. Problems such as violence against women, abuse of children, child prostitution, child labor, trafficking in persons, and ineffective enforcement of worker rights are also common.

#### Development Challenges

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¶10. (U) Economic development is a key U.S. objective in the Philippines. Accelerating development involves key, cross-cutting issues, principally: opening the economic system to more competition; curbing high population growth; improving agricultural productivity; basic education and health reforms; building

infrastructure; harnessing fiscal resources; strengthening the capacity of local government units; effective law enforcement; improving the investment climate; promoting transparency and accountability; and addressing peace and security issues. President Arroyo has called repeatedly for unity and strong partnerships as the country grapples with global economic challenges and domestic political concerns with limited resources. Your visit to the Philippines provides a timely opportunity to reiterate continued U.S. government support for a long-standing ally during a time of need.

Kenney